

Message Text

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INFO AMCONSUL HONG KONG

S E C R E T SECTION 1 OF 4 PEKING 544

E.O. 11652: GDS

TAGS: PFOR, OGEN, CH

SUBJECT: FY 1975 PARA SECTION II FOR PEOPLE'S REPUBLIC OF CHINA

REF: PEKING 532

1. FOLLOWING IS SECTION II OF FY 1975 PARA PREPARED BY USLO.

AMCONGEN HONG KONG HAS OFFERED USEFUL SUGGESTED CHANGES MOST OF WHICH HAVE BEEN INCORPORATED IN THIS MESSAGE.

2. SECTION II. POLICY IMPLEMENTATION

POLITICAL

POLICY OBJECTIVE

HAVING ESTABLISHED A UNIQUE QUASI-DIPLOMATIC RELATIONSHIP WITH THE PRC, THE UNITED STATES SHOULD CONTINUE THE PROCESS OF REDUCING TENSIONS AND EXPANDING CONTACTS WHILE MOVING GRADUALLY TOWARD THE FULL NORMALIZATION OF RELATIONS.

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3. DISCUSSION

DETENTE WITH CHINA IS AN ESSENTIAL ELEMENT IN THE SUCCESS OF THE NIXON DOCTRINE IN ASIA. THE PRESIDENT'S TRIP TO CHINA IN 1972 BROKE THE IMPASSE OF TWENTY-THREE YEARS OF RIGID HOSTILITY, AND SEVERAL OF OUR OBJECTIVES HAVE BEEN PARTIALLY ACHIEVED. TENSIONS HAVE BEEN REDUCED, LIAISON OFFICES HAVE BEEN ESTABLISHED IN EACH OTHER'S CAPITALS, A SERIES OF HIGHLY SUCCESSFUL CULTURAL EXCHANGES HAVE BEEN COMPLETED, AND TRADE HAS EXPANDED BY A QUANTUM LEAP. MUCH HAS BEEN ACCOMPLISHED, AND LEADERS ON BOTH SIDES PROBABLY FIND THIS PERIOD A TIME TO PAUSE AND TAKE STOCK BEFORE PROCEEDING WITH FURTHER STEPS. BOTH PARTIES KNOW WHERE THEY WANT TO GO, BUT HOW AND AT WHAT PACE ARE IMPORTANT QUESTIONS ON WHICH DIFFERENCES EXIST. REALIZING THAT A FUNDAMENTAL DISAGREEMENT ON NATIONAL OBJECTIVES REMAINS, THERE ARE PROBLEMS ON BOTH SIDES IN DEFINING AREAS OF COMMON INTEREST WITHOUT COMPROMISING BASIC IDEOLOGICAL TENETS.

4. THE PRESENT TREND OF DOMESTIC POLICY HAS SO FAR RAISED MINOR PROBLEMS IN FOREIGN AFFAIRS, BUT THESE COULD PROVE IN THE COURSE OF EVENTS TO BE MORE ANTICIPATORY THAN REAL, E.G., NERVOUS UNCERTAINTY ON THE PART OF THE CHINESE BUREAUCRACY. WHILE A MORE SERIOUS TURN OF EVENTS ALSO COULD EVENTUATE, AND THIS BEARS CAREFUL WATCHING, THERE IS PRESENTLY EVERY REASON TO PERSIST IN A FORWARD LOOKING POLICY STANCE WHICH CONSISTENT WITH OUR OWN NATIONAL INTERESTS, IS FLEXIBLE AND PATEINT WITH RESPECT TO WHAT THE CHINESE FEEL THEY CAN DO AT THIS TIME.

5. THEY KEY TO FURTHER DEVELOPMENT IN THE U.S. - PRC POLITICAL RELATIONSHIP REMAINS TAIWAN. CHINA'S LEADERS WERE CLEARLY PLEASED WITH THE U.S. ACKNOWLEDGEMENT IN THE SHANGHAI COMMUNIQUE THAT "CHINESE ON EITHER SIDE OF THE TAIWAN STRAIT MAINTAIN THAT TAIWAN IS PART OF CHINA", INTERPRETING THIS AS ACCETANCE OF THE PRINCIPLE OF ONE CHINA EVEN THOUGH THE UNITED STATES STOPPED SHORT OF AFFIRMING THE PRC AS THE LEGITIMATE GOVERNMENT OF THAT CHINA. IN 1973 PRC EMPHASIS SWITCHED FROM "LIBERATION OF TAIWAN" TO "REUNIFICATION WITH THE MOTHERLAND". PROMINENT OVERSEAS CHINESE, INCLUDING OSTENSIBLE "TAIWANESE COMPATRIOTS" WERE INVITED TO THE PRC, AND AN EXTENSIVE SOFT SELL

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CAMPAIGN WAS LAUNCHED EMPHASIZING PEKING'S MODERATE APPROACH TO REUNIFICATION.

6. IN RECENT MONTHS, HOWEVER, IT IS POSSIBLE THAT THE PRESENT PACE OF NORMALIZATION OF U.S. - PRC RELATIONS HAS POSED SOME PROBLEMS FOR THE LEADERSHIP IN PEKING, NOT SO MUCH IN TERMS OF THE LEADERSHIP'S CONFIDENCE IN ULTIMATELY GAINING TAIWAN BUT RATHER IN TERMS OF HOW THE CHINESE PEOPLE VIEW THE

COURSE OF EVENTS. U.S. ACTIONS SUCH AS THE APPOINTMENT OF A NEW AMBASSADOR TO TAIPEI COULD BE READ BY SOME AS A U.S. INTENTION TO ALLOW THE PRESENT STATUS QUO TO CONTINUE INDEFINITELY, THUS CALLING INTO QUESTION THE GOOD FAITH OF THE U.S. IN PROCEEDING FURTHER TOWARD NORMALIZATION. CONCEIVABLY ELEMENTS WITHIN THE LEADERSHIP WHO HAVE BEEN CRITICAL OF THE POLICY OF IMPROVING RELATIONS

WITH THE U.S. MAY BE ARGUING ALONG SIMILAR LINES. SUCH A SITUATION WOULD NOT BE HELPED BY THE CURRENT MILITANT IDEOLOGICAL CLIMATE IN CHINA. THIS MAY ACCOUNT FOR THE FACT THAT THE MOST RECENT PRC COMMENTARY ON TAIWAN, E.G., THE PEOPLE'S DAILY EDITORIAL ON THE TAIWANESE ANTI-ROC UPRISING OF FEBRUARY 28, 1947, LAID INCREASED STRESS ON THE THEME OF LIBERATING TAIWAN BY FORCE IF NECESSARY. CLEARLY DAY-TO-DAY U.S. ACTIONS WITH RESPECT TO TAIWAN CANNOT BE EXAMINED OUTSIDE THE CONTEXT OF BASIC U.S. - PRC RELATIONS.

7. IN OTHER FIELDS, WHILE OUR POLITICAL DIFFERENCES ARE NUMEROUS AND WELL KNOWN, WE HAVE FOUND IT POSSIBLE TO WORK CONSTRUCTIVELY WITH CHINESE REPRESENTATIVES ON MATTERS OF MUTUAL CONCERN. THE SECRETARY'S VISITS TO PEKING HAVE BEEN VITAL TO THIS PROCESS.

8. OCCASIONALLY, OUR OBVIOUS DIFFERENCES TEND TO MASK AREAS OF COMMON INTEREST. ON SOME ISSUES WE HAVE BEEN ABLE TO COOPERATE IN THE UNITED NATIONS -- USUALLY IN OPPOSITION TO SOVIET MOVES -- AND THE POSSIBILITY EXISTS FOR SOME FURTHER COOPERATION ON SUCH MATTERS AS POPULATION CONTROL, WORLD FOOD POLICY AND, TO A LIMITED EXTENT, DISARMAMENT.

9. RECOMMENDED COURSES OF ACTION

-- SEEK APPROPRIATE OCCASIONS IN THE NEAR FUTURE TO REITERATE
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PUBLICLY AT A HIGH LEVEL U.S. INTENTIONS TO CONTINUE PROGRESS TOWARD NORMALIZATION OF U.S. - PRC RELATIONS.

-- IN INTERNATIONAL ORGANIZATIONS, WHETHER UN-AFFILIATED OR NOT, AVOID GETTING OUT IN FRONT IN DEFENSE OF TAIWAN'S POSITION, PARTICULARLY IN THOSE CASES WHERE WE ARE CLEARLY FIGHTING A LOST CAUSE.

-- SEEK TO INCREASE OUR SUBSTANTIVE CONSULTATIONS WITH SENIOR PRC OFFICIALS BOTH HERE AND IN WASHINGTON TO GAIN BETTER UNDERSTANDING OF EACH OTHER'S POLICIES AND TO STRENGTHEN OUR NORMAL WORKING RELATIONSHIPS.

-- TAKE STEPS TO ASSURE THAT U.S. OFFICIALS AVOID PUBLIC STATEMENTS CLAIMING PRC SUPPORT FOR U.S. DETERRENT POLICIES, SINCE

THIS IMPLIES U.S. - PRC " COLLUSION" AND RENDERS CHINA
VULNERABLE TO SOVIET CRITICISM.

10. STRATEGIC/SECURITY

POLICY OBJECTIVE

THE UNITED STATES SHOULD SEEK TO REDUCE FURTHER THE RISK OF A
MILITARY CONFRONTATION WITH THE PRC IN ASIA WHILE MAINTAINING
A CREDIBLE STRATEGIC DETERRENT.

11. DISCUSSION

WITH THE ENDING OF DIRECT U.S. INVOLVEMENT
IN THE VIET-NAM WAR, A MAJOR OBSTACLE TO IMPROVED U.S. - PRC
RELATIONS GROWING OUT OF U.S. STRATEGIC/SECURITY
CONSIDERATIONS WAS DIMINISHED. U.S. FORCE REDUCTIONS IN ASIA
HAVE BEEN CARRIED OUT IN A WAY CONSISTENT WITH THE NEED TO
MAINTAIN STABILITY IN THE REGION. THOUGH THE PRC ULTIMATELY
WOULD LIKE TO SEE ALL U.S. FORCES REMOVED FROM ASIA, IT
CLEARLY SEES THIS GOAL AS BEING A LONG WAY OFF AND A
PRECIPITATE U.S. WITHDRAWAL AS UNDESIRABLE UNDER CURRENT
CIRCUMSTANCES.

12. RECOMMENDED COURSES OF ACTION

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-- TAKE STEPS TO ASSURE THAT U.S. DEFENSE AND POLITICAL
SPOKESMEN AVOID STATEMENTS WHICH FOCUS SPECIFICALLY UPON THE PRC
AS AN ENTITY HOSTILE TO U.S. INTERESTS.

-- MAKE CLEAR TO THE CHINESE U.S. POSITIONS WITH RESPECT
TO DISARMAMENT ISSUES SO AS TO AVOID PRC MISUNDERSTANDING
AND TO DETERMINE IF ANY POSITIVE CHINESE INTEREST SHOULD
DEVELOP ON THESE ISSUES.

-- KEEP THE NEED FOR CONTINUED STATIONING OF U.S. FORCES
ON TAIWAN UNDER CONSTANT REVIEW, AND THAT FURTHER REDUCTIONS
BE MADE WHEREVER POSSIBLE.

-- MINITOR CLOSELY ANY SIGNS OF A SHIFT IN PRC SUPPORT FOR
INSURGENCY AND CONTINUE TO RESPOND POSITIVELY TO REQUESTS FROM
ASIAN NATIONS FOR MATERIAL ASSISTANCE IN DEALING WITH THESE
INSURGENCIES. WE SHOULD BE ALERT TO CONSTRUCTIVE WAYS TO
IMPRESS UPON THE PRC SOUTHEAST ASIAN NATIONS' CONCERN OVER
THE INSURGENT PROBLEM, AND WE SHOULD REJECT THE CHINESE
DISTINCTION BETWEEN PARTY AND GOVERNMENT SPONSORED
ACTIVITIES AS AN EXPLANATION.

-- AVOID MILITARY EXERCISES IN AREAS NEAR CHINESE-CLAIMED
TERRITORY AND OTHER ACTIONS OF A MILITARY NATURE WHICH MIGHT
BE CONSTRUED BY THE PRC AS PROVOCATIVE.

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INFO AMCONSUL HONG KONG

S E C R E T SECTION 2 OF 4 PEKING 544

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SUBJECT: FY 1975 PARA SECTION II FOR PEOPLE'S REPUBLIC OF CHINA

REF PEKING 532

13. SINO-SOVIET

POLICY OBJECTIVE

A MAJOR SINO-SOVIET CONFLICT WOULD HAVE A MAJOR IMPACT ON THE
SECURITY INTERESTS OF THE UNITED STATES IN ASIA AND ELSEWHERE.
TO THE EXTENT WE ARE ABLE, WE SHOULD ATTEMPT TO PREVENT SUCH A
CONFLICT.

14. DISCUSSION

THE STEADY BUILDUP OF MILITARY FORCES ALONG THE SINO-SOVIET

BORDER SINCE 1965 POSES THE THREAT OF A MAJOR CONFLICT INVOLVING NUCLEAR WEAPONS. SUCH AN EVENTUALITY WOULD HAVE A MAJOR DESTABILIZING EFFECT IN ASIA AND WOULD SERIOUSLY DISRUPT THE WORLD
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BALANCE OF POWER. ALTHOUGH THERE ARE NO INDICATIONS THAT THE SOVIET UNION INTENDS TO UNDERTAKE A PRE-EMPTIVE MILITARY ACTION AT THIS TIME, SINO-SOVIET POLEMICS HAVE REACHED NEW HEIGHTS IN RECENT MONTHS, AND THE SOVIETS CONTINUE TO MAINTAIN AS MANY AS 43 DIVISIONS ALONG THE SINO-SOVIET FRONTIER. SHOULD A MAJOR STRUGGLE OCCUR WITHIN CHINA OVER THE SUCCESSION PROBLEM, SOVIET MEDDLING OR INTERVENTION CANNOT BE EXCLUDED.

15. RECOMMENDED COURSES OF ACTION

-- MINITOR CLOSELY ANY CHANGES IN THE FORCE STRUCTURES ALONG THE SINO-SOVIET BORDER.

-- BE PREPARED TO USE DIPLOMATIC AND POLITICAL-PSYCHOLOGICAL APPROACHES TO DETER POSSIBLE SOVIET MILITARY MOVES AGAINST CHINA.

-- BE PARTICULARLY CAUTIOUS TO MAINTAIN OUR PRESENT BALANCED APPROACH TO DETENTE WITH THE TWO POWERS.

16. COMMERCIAL/ECONOMIC

POLICY OBJECTIVE

SEEK WAYS OF PLACING U.S. AGRICULTURAL EXPORTS TO CHINA ON A LONG TERM FOOTING.

17. DISCUSSION

THE DOMINANT FEATURE OF SINO-U.S. TRADE IN 1973, WHICH PROPELLED THE U.S. INTO THE POSITION OF BEING CHINA'S THIRD LARGEST TRADE PARTNER, WAS THE ENORMOUS CHINESE PURCHASES OF GRAIN, COTTON, AND OTHER AGRICULTURAL COMMODITIES. IF THE CURRENT PROBLEM OF PRC REJECTION OF U.S. WHEAT SHIPMENTS WITH TCK SMUT INFESTATION CAN BE OVERCOME, U.S. AGRICULTURAL EXPORTS TO CHINA IN 1974 WILL REACH A NEW HIGH. HOWEVER, QUITE APART FROM THE PROBLEM OF TCK, THE FUTURE OF U.S. GRAIN EXPORTS (BOTH WHEAT AND CORN) ARE UNCERTAIN. CHINA'S GRAIN IMPORT REQUIREMENTS ARE DIFFICULT TO FORECAST AND PEKING HAS ENTERED LONG TERM WHEAT SUPPLY CONTRACTS WITH CANADA, AUSTRALIA, AND ARGENTINA. THE U.S. HAS ALSO SOLD LARGE QUANTITIES OF COTTON AND SOME SOYBEANS, BUT OUR EXPERIENCE WITH CHINA IN THESE

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COMMODITIES IS SHORT AND WE SHOULD TAKE A LOOK AT ENSURING LONG TERM RELATIONSHIPS BETWEEN U.S. SELLERS AND THE CHINESE.

18. RECOMMENDED COURSES OF ACTION

-- STRENUOUSLY SEEK WAYS TO RESOLVE THE TCK PROBLEM SO THAT THE CHINESE CAN BE ASSURED THAT IN ACCEPTING U.S. WHEAT THEY ARE NOT THREATENING THEIR OWN CROP YIELDS.

-- ENCOURAGE RELATIONSHIPS BETWEEN THE CHINESE AND IMPORTANT U.S. AGRICULTURAL ORGANIZATIONS SUCH AS WESTERN WHEAT ASSOCIATES AND COTTON COUNCIL INTERNATIONAL.

-- PROMOTE EXCHANGES OF AGRICULTURAL DELEGATIONS AND SEEK TO INCREASE CHINESE UNDERSTANDING OF U.S. AGRICULTURAL AND AGRICULTURAL EXPORT INSTITUTIONS.

-- ENCOURAGE THE PRC TO ENTER INTO MULTI-YEAR PURCHASE CONTRACTS FOR U.S. AGRICULTURAL COMMODITIES.

19. POLICY OBJECTIVE

PROMOTE INCREASED SALES TO CHINA OF LARGE INDUSTRIAL ITEMS, SUCH AS WHOLE PLANTS, AIRCRAFT, MINING AND PETROLEUM EQUIPMENT, ENCOURAGE A DIVERSIFIED RANGE OF OTHER, SMALLER VALUE EXPORTS TO CHINA, SUCH AS ELECTRONICS AND MACHINE TOOLS, AND PROMOTE THE SALE OF INDUSTRIAL AND OTHER RAW MATERIALS.

20. DISCUSSION

EXPORTS OF U.S. EQUIPMENT AND MACHINERY HAVE BEEN INCREASING, ALBEIT MORE SLOWLY THAN AGRICULTURAL EXPORTS. THERE APPEAR TO BE GOOD OPPORTUNITIES, HOWEVER. CHINA IS INTERESTED IN U.S. TECHNOLOGY, AND IS EMBARKED SINCE LATE 1972 ON A LARGE PROGRAM OF PURCHASES OF WHOLE PLANTS, EQUIPMENT AND TECHNOLOGY FROM ABROAD. THE PRC IS ALSO ANXIOUS TO DEVELOP ITS PETROLEUM RESOURCES, AND THIS PRESENTS SIGNIFICANT OPPORTUNITIES FOR CERTAIN SPECIALIZED U.S. COMPANIES, BUT NOT FOR JOINT EXPLORATION AND EXPLOITATION. ON THE OTHER HAND, THE CHINESE ARE NOT WELL ACQUAINTED WITH U.S. FIRMS AND WHAT THEY CAN OFFER, AND HAVE A TENDENCY TO LOOK TO SUPPLIERS WITH WHOM THEY HAVE HAD EXPERIENCE.

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THEY ALSO LIKE TO SPREAD THEIR PURCHASES AMONG THE DIFFERENT DEVELOPED COUNTRIES. THE MOST IMPORTANT ITEM IN THE INDUSTRIAL AND OTHER RAW MATERIALS CATEGORY IS STEEL SCRAP, FOR WHICH CHINA SEEMS TO HAVE A LARGE AND CONTINUING DEMAND.

21. RECOMMENDED COURSES OF ACTION

-- ENCOURAGE AMERICAN FIRMS WHICH HAVE EQUIPMENT AND TECHNOLOGY THE CHINESE MAY REQUIRE TO APPROACH THE APPROPRIATE CHINESE FOREIGN TRADE CORPORATIONS.

-- SELECTIVELY SUPPORT THOSE APPROACHES WHICH HAVE A REASONABLY GOOD CHANCE OF SUCCESS BY MEANS OF USLO REPRESENTATIONS TO THE CHINESE FOREIGN TRADE CORPORATIONS.

-- TO PROVIDE GUIDANCE TO THE AMERICAN BUSINESS COMMUNITY, IMPROVE DATA COLLECTION AND ANALYSIS ON THOSE SECTORS AND MAJOR PROJECTS WITH COMMERCIAL POTENTIAL FOR U.S. BUSINESS, COORDINATE PERTINENT INFORMATION ALREADY AVAILABLE IN VARIOUS GOVERNMENT AND OTHER ENTITIES, AND CONCENTRATE RESEARCH EFFORTS ON MISSING GAPS.

-- SUPPORT THE WORK OF THE NATIONAL COUNCIL FOR U.S. - CHINA TRADE (NCUSCT) IN ITS EFFORTS TO ASSIST U.S. BUSINESSMEN IN INCREASING EXPORTS OF MACHINERY AND EQUIPMENT TO CHINA.

-- ENCOURAGE TRADE DELEGATIONS, EXHIBITIONS, AND STUDY GROUPS AS MEANS OF EXPANDING CHINA'S KNOWLEDGE OF WHAT AMERICAN FIRMS HAVE TO OFFER. (IN THIS EFFORT, WE SHOULD REMAIN FLEXIBLE ABOUT SPONSORSHIP, ENCOURAGING THE NCUSCT WHERE POSSIBLE, BUT ALSO SUPPORTING EFFORTS BY PRIVATE FIRMS AND INDUSTRIAL ASSOCIATIONS TO PROMOTE SUCH ACTIVITIES, AND EVEN USING THE CULTURAL EXCHANGE UMBRELLA FOR VISITS OF GROUPS WHICH COULD EVENTUALLY INFLUENCE COMMERCIAL PURCHASES.) ALSO, CONTINUE TO PROMOTE FIELD TRIPS IN THE U.S. BY PRC LO COMMERCIAL PERSONNEL.

-- IN THE FIELD OF STEEL SCRAP OR OTHER COMMODITIES WHERE IT MAY BECOME NECESSARY FOR THE U.S. TO IMPOSE EXPORT CONTROLS, ENSURE THAT THE CHINESE UNDERSTAND THAT THEY ARE BEING TREATED FAIRLY AND EQUITABLY, AND KEEP THEM FULLY INFORMED OF ALLOCATIONS AND CHANGES IN THE PROGRAM AS THEY MAY OCCUR, SO AS NOT TO PREJUDICE THEIR ATTITUDE TOWARD FUTURE PURCHASES WHEN AND IF THE
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CURRENT CONTROLS ARE RELAXED.

-- IN THE AREA OF STRATEGIC EXPORT CONTROLS, IMPRESS UPON THE CHINESE
-- NORMALLY VIA U.S. EXPORTERS -- THAT THE PRC IS ACCORDED TREATMENT SIMILAR TO OTHER SOCIALIST COUNTRIES AND THAT THEY ARE LIKEWISE EXPECTED TO COMPLY WITH THE PROVISION OF REQUIRED END-USE INFORMATION. HOWEVER, THE USG SHOULD ASSIST U.S. EXPORTERS BY BEING FLEXIBLE ABOUT FORMALITIES WHEN THE CHINESE REFUSE ON PRINCIPLE TO SIGN END-USE DOCUMENTS AND WHEN IT IS EVIDENT THAT PEACEFUL END-USE IS INTENDED.

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INFO AMCONSUL HONG KONG

S E C R E T SECTION 3 OF 4 PEKING 544

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SUBJECT: FY 1975 PARA SECTION II FOR PEOPLE'S REPUBLIC OF CHINA

REF: PEKING 532

22. POLICY OBJECTIVE

ASSIST THE CHINESE IN THEIR EFFORTS TO INCREASE EXPORTS TO THE U.S.

23. DISCUSSION

THE CHINESE HAVE MADE IT CLEAR THAT WHILE THEY DO NOT EXPECT
BALANCED TRADE IN THE SHORT RUN, THEY EXPECT TO SEE SOME
IMPROVEMENT ON THEIR SIDE OF THE LEDGER. THEY HAVE INDICATED THAT
THIS IMBALANCE -- AS ONE OF SEVERAL FACTORS INFLUENCING THEIR
COMMERCIAL DECISIONS -- COULD AFFECT THEIR ATTITUDE TOWARD CERTAIN
PURCHASES FROM THE U.S. THE CHINESE KNOW RELATIVELY LITTLE
ABOUT THE REQUIREMENTS OF THE U.S. MARKET, BUT THEY ARE AWARE
OF THE DISADVANTAGES OF NOT HAVING MFN TREATMENT AND ARE INCLINED
TO REGARD VARIOUS U.S. IMPORT REQUIREMENTS AND REGULATIONS AS
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UNFAIR OBSTACLES TO EXPANSION OF THEIR EXPORTS TO THE U.S.

24. RECOMMENDED COURSES OF ACTION

-- IMPRESS UPON CHINESE OFFICIALS THE CONTINUING USG INTEREST IN EXPANDING U.S. PURCHASES FROM CHINA AS WELL AS AMERICAN SALES TO CHINA.

-- MAKE CLEAR OUR WILLINGNESS TO REQUEST U.S. CONGRESS TO GRANT MFN AT AN APPROPRIATE TIME IN THE DEVELOPMENT OF OUR RELATIONSHIP.

-- ENCOURAGE TRADE DELEGATIONS, EXHIBITS, AND STUDY GROUPS AS MEANS OF STIMULATING SALES OF CHINESE GOODS TO THE U.S. (RE SPONSORSHIP, SEE ABOVE), AND GIVE SPECIAL STRESS TO IMPROVING CHINESE KNOWLEDGE OF THE U.S. MARKET AND THE IMPORTANCE OF SUCH MATTERS AS PACKAGING, STYLING, LABELLING. ALSO, CONTINUE TO PROMOTE FIELD TRIPS IN THE U.S. BY PRCLO COMMERCIAL PERSONNEL.

-- ENCOURAGE AND SUPPORT EFFORTS BY THE NCUSCT TO STIMULATE PRC EXPORTS TO THE U.S. AND TO ASSIST U.S. IMPORTERS OF CHINESE GOODS.

-- CONTINUE TO PROVIDE USG SERVICES AT THE SEMI-ANNUAL KWANGCHOW EXPORT COMMODITIES FAIR, AND GIVE FULL SUPPORT AND COOPERATION TO NCUSCT REPRESENTATIVES.

-- INFORM THE CHINESE, AS APPROPRIATE, OF VARIOUS USG REGULATIONS GOVERNING IMPORTS OF COMMODITIES (SUCH AS MEAT AND CANNED MUSHROOMS) WHICH THE PRC OR U.S. IMPORTERS MAY BE INTERESTED IN SHIPPING TO THE U.S.

25. POLICY OBJECTIVE

ELIMINATE IMPEDIMENTS TO INCREASED TRADE SUCH AS THE PRIVATE CLAIMS-BLOCKED ASSETS PROBLEM AND MOVE TOWARD GRANTING MFN STATUS.

26. DISCUSSION

THE SETTLEMENT OF AMERICAN PRIVATE CLAIMS AGAINST THE PRC AND THE UNBLOCKING OF PRC FROZEN ASSETS IN THE U.S. ARE A NECESSARY SECRET

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FIRST STEP IF NORMAL RELATIONSHIPS ARE TO BE ESTABLISHED IN SUCH FIELDS AS BANKING, AVIATION, AND SHIPPING, AND IF MOST FAVORED NATION (MFN) STATUS IS TO BE ACCORDED TO THE PRC.

RESOLUTION OF THE PRIVATE CLAIMS-FROZEN ASSETS ISSUE HAS BEEN MORE DIFFICULT TO ACHIEVE THAN HAD BEEN EXPECTED. PRINCIPAL STUMBLING BLOCKS APPEAR TO BE THE QUESTIONS OF LEGALLY DEFINING CHINESE NATIONALS FOR PURPOSES OF SETTLEMENT, AND HOW TO DEAL WITH PRE-1949 CHINESE BONDS WHICH THE PRC WISHES TO SEE RENOUNCED AS NULL AND VOID. BOTH ISSUES INVOLVE CHINESE SENSITIVITIES ARISING FROM PAST HUMILIATIONS AND CHINESE DIFFICULTY IN FULLY GRASPING THE AMERICAN LEGAL REQUIREMENTS INVOLVED. WHILE CONTINUING TO PURSUE A SOLUTION, IT IS ALSO NECESSARY FOR THE USG TO CONSIDER SUBSEQUENT STEPS TOWARD THE GRANTING OF MFN.

27. RECOMMENDED COURSES OF ACTION

-- IF QUERIED, EXPLAIN AGAIN THE U.S. POSITION ON PRIVATE CLAIMS AND FROZEN ASSETS, AND REPEAT OUR DESIRE TO FIND AN EARLY SOLUTION THAT WOULD BE CONSISTENT WITH U.S. LEGAL REQUIREMENTS. (THE PRC HAS NEVER ANSWERED OR DISCUSSED OUR LAST PROPOSAL ON THIS SUBJECT.)

-- MAKE CLEAR THAT THE ADVANTAGES ACCRUING FROM A MUTUAL SETTLEMENT ARE CONSIDERABLE, AND ARE PERHAPS MORE ON THE CHINESE SIDE THAN THE U.S.

-- INDICATE A WILLINGNESS TO REQUEST THE U.S. CONGRESS TO GRANT MFN AT AN APPROPRIATE TIME IN THE DEVELOPMENT OF THE U.S.-CHINA RELATIONSHIP, AND MAKE CLEAR THAT THE ADMINISTRATION DOES NOT FAVOR LEGISLATION WHICH, WHILE NOT DIRECTED AT CHINA, WOULD HAVE THE EFFECT OF MAKING IT MORE DIFFICULT TO ACCORD MFN TREATMENT TO THE PRC IN THE FUTURE.

-- PREPARE THE GROUNDWORK WITHIN THE USG FOR FUTURE MFN NEGOTIATIONS WITH THE PRC SO THAT WE WILL BE PREPARED TO INITIATE DISCUSSIONS PROMPTLY WHEN THE TIME IS RIGHT.

28. POLICY OBJECTIVE

PROMOTE A BROAD RANGE OF OTHER COMMERCIAL/ECONOMIC
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RELATIONSHIPS AT SUCH TIME THAT OUR BILATERAL POLITICAL RELATIONS AND SETTLEMENT OF THE PRIVATE CLAIMS-BLOCKED ASSETS ISSUE PERMIT.

29. DISCUSSION

THE NORMALIZATION OF COMMERCIAL/ECONOMIC TIES WITH THE PEOPLE'S REPUBLIC OF CHINA MEANS, IN ADDITION TO TRADE, THE ESTABLISHMENT OF A BROAD COMPLEX OF RELATIONSHIPS IN A VARIETY OF FIELDS, SUCH AS AVIATION, BANKING, AND INDUSTRIAL PROPERTY

PROTECTION. CHINESE OFFICIALS APPEAR TO HAVE TAKEN THE GENERAL POSITION THAT SUCH RELATIONSHIPS MUST AWAIT FURTHER NORMALIZATION OF POLITICAL RELATIONS, BUT IT IS NOT CLEAR THAT THIS NECESSARILY MEANS ACHIEVEMENT OF FULL DIPLOMATIC RELATIONS. IT IS CONCEIVABLE THAT PROGRESS IN SOME OF THESE AREAS CAN BE MADE BEFORE THAT COMES ABOUT.

30. RECOMMENDED COURSES OF ACTION

-- ESTABLISH A SET OF PRIORITIES WITH RESPECT TO WHAT PROPOSALS THE U.S. SHOULD MAKE AFTER THE PRIVATE CLAIMS-FROZEN ASSETS PROBLEM IS SOLVED.

-- EXAMINE THE POSSIBILITY OF INITIATING CERTAIN STEPS (IN AVIATION, FOR EXAMPLE) EVEN PRIOR TO SETTLEMENT OF THE CLAIMS-ASSETS ISSUE IN THE EVENT THAT THE ISSUE PROMISES TO REMAIN DEADLOCKED FOR A PROLONGED PERIOD OF TIME.

-- ENCOURAGE INFORMATIONAL EXCHANGES BETWEEN THE NCUSCT AND THE CHINA COUNCIL FOR THE PROMOTION OF INTERNATIONAL TRADE (CCPIT) ON MATTERS RELATED TO INDUSTRIAL PROPERTY PROTECTION, AND PREPARED FOR EVENTUAL GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS ON SUCH MATTERS. (THE PRC HAS ENTERED INTO BILATERAL TRADEMARK AGREEMENTS, AND SUCH AN AGREEMENT WOULD BE A NATURAL FIRST STEP).

-- ENCOURAGE EFFORTS BY GROUPS, SUCH AS THE AMERICAN BANKERS ASSOCIATION, AND BY INDIVIDUAL FIRMS, SUCH AS BANKS AND AIRLINES, TO ESTABLISH CONTACTS WITH THE CHINESE EITHER THROUGH VISITS TO THE PRC OR VIA PROPOSALS TO HOST VISITS BY PRC DELEGATIONS TO THE U.S.

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-- MAKE PREPARATIONS FOR THE STEPS THAT WOULD HAVE TO BE TAKEN IN ORDER TO EVENTUALLY MAKE U.S. EX-IM BANK FINANCING AVAILABLE FOR USE IN SINO-U.S. TRADE.

-- AT A SUITABLE STAGE IN THE PROCESS OF NORMALIZATION OF RELATIONS, PROPOSE A SYSTEM OF REGULAR GOVERNMENT-LEVEL BILATERAL CONSULTATIONS AS A MEANS TO FACILITATE THE ORDERLY EXPANSION OF COMMERCIAL RELATIONS.

31. CULTURE AND INFORMATION

POLICY OBJECTIVE

THE UNITED STATES' OBJECTIVE IN ITS CULTURAL AND INFORMATIONAL PROGRAMS RELATING TO THE PRC IS A BETTER UNDERSTANDING BY LEADING ELEMENTS OF CHINA'S GOVERNMENTAL AND INTELLECTUAL STRUCTURE OF AMERICAN SOCIETY AND THE ELIMINATION OF

MISCONCEPTIONS GROWING OUT OF ISOLATION AND THE DIFFERENCES
IN OUR TWO SOCIAL SYSTEMS.

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ACTION EA-14

INFO OCT-01 ISO-00 SS-20 SPC-03 PM-07 L-03 IO-14 EB-11

SIG-04 CU-04 INR-10 AID-20 AGR-20 CIAE-00 COME-00

DODE-00 NSC-07 OMB-01 PC-10 TRSE-00 USIA-15 LAB-06

DRC-01 RSC-01 NSCE-00 EUR-25 ACDA-19 CIEP-02 XMB-07

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INFO AMCONSUL HONG KONG

S E C R E T FINAL SECTION OF 4 PEKING 544

E.O. 11652: GDS

TAGS: PFOR, OGEN, CH

SUBJECT: FY 1975 PARA SECTION II FOR PEOPLE'S REPUBLIC OF CHINA

REF: PEKING 532

32. DISCUSSION

SINCE THE PRESIDENT'S VISIT IN FEBRUARY 1972, CULTURAL EXCHANGES HAVE EXPANDED SIGNIFICANTLY. 1973 SAW A SERIES OF SUCCESSFUL EXCHANGES, AND SEVERAL MAJOR EVENTS SUCH AS THE SWIMMING AND BASKET BALL TEAMS AND THE PHILADELPHIA ORCHESTRA PRODUCED HIGH LEVEL CHINESE LEADERSHIP TURNOUTS.

THE ONSET EARLY THIS YEAR OF THE CAMPAIGN TO CRITICIZE LIN PIAO AND CONFUCIUS AND A SERIES OF BLASTS AT FOREIGN MUSIC AND FILMS HAS AFFECTED THE SCHEDULING AND PACE OF U.S. - PRC CULTURAL EXCHANGES. FOREIGN MINISTRY PERSONNEL BECAME

RETICENT ABOUT MAKING COMMITMENTS, AND TWO EXCHANGES SCHEDULED FOR EARLY IN THE YEAR HAD TO BE RESCHEDULED DUE TO CHINESE

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UNRESPONSIVENESS. CHINESE OFFICIALS HAVE BEEN AT PAINS TO REASSURE US, HOWEVER, THAT THE PRESENT IDEOLOGICAL CAMPAIGN WILL NOT ADVERSELY AFFECT SINO-U.S. CULTURAL EXCHANGES, SEVERAL OF THE EXCHANGES AGREED UPON DURING THE SECRETARY'S VISITS HAVE NOW BEEN FIRMED UP, AND PERHAPS MOST SIGNIFICANT, THE PRC HAS BEGUN NEGOTIATIONS FOR THE ARCHAEOLOGICAL EXHIBITION WITH AN OFFER OF A SIX MONTH U.S. TOUR ENCOMPASSING TWO CITIES, TWICE WHAT THEY HAD AGREED TO WITH OTHER COUNTRIES.

INFORMATIONAL ACTIVITIES SUPPORTED BY USIS HONG KONG HAVE NECESSARILY BEEN LIMITED, BUT HAVE INCLUDED (A) PRODUCTION OF BOOKS AND PAMPHLETS IN SIMPLIFIED CHARACTERS, (B) BOOK MAILINGS TO SELECTED INSTITUTIONS IN THE PRC, AND (C) PROVISION OF FILMS AND VIDEOCASSETTES TO USLO FOR SHOWING TO CHINESE AND DIPLOMATIC COMMUNITY AUDIENCES.

33. RECOMMENDED COURSES OF ACTION

-- AS PART OF EXPANDED CULTURAL EXCHANGES INVESTIGATE THE POSSIBILITY OF STUDENT EXCHANGES FOR A FULL ACADEMIC YEAR, INCLUDING AGREEMENT TO SEND U.S. STUDENTS TO THE PEKING CHINESE LANGUAGE INSTITUTE AND CHINESE STUDENTS TO VARIOUS AMERICAN UNIVERSITIES AS ENGLISH LANGUAGE TRAINEES.

-- DEPENDING ON DEVELOPMENT OF THE POLITICAL CLIMATE CONSIDER SENDING AN ADDITIONAL HIGH PROFILE PERFORMING GROUP OR ATHLETIC TEAM TO THE PRC THIS YEAR.

-- ATTEMPT TO DETERMINE MORE CLEARLY THE NATURE AND SCOPE OF U.S. PRODUCED INFORMATIONAL MATERIALS ACCEPTABLE TO THE PRC AND, TO THE EXTENT POSSIBLE, TAILOR OUR PROGRAMS ACCORDINGLY.

34. OTHER

POLICY OBJECTIVE

AS THE LIAISON OFFICE IN PEKING APPROACHES ITS SECOND YEAR OF OPERATION, A MAJOR OBJECTIVE SHOULD BE TO BROADEN CONTACTS WITH CHINESE OFFICIALS AND MINIMIZE THE INEVITABLE FRICTIONS THAT OCCUR.

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35. DISCUSSION

THE GROWING RELATIONSHIP AND PARTICULARLY THE AMERICAN PRESENCE IN PEKING OCCASIONALLY PROVES UNCOMFORTABLE AND EMBARRASSING FOR THE CHINESE. THE SWITCH FROM THE UNITED STATES AS ARCH-DEMON TO USEFUL ACQUAINTANCE HAS BEEN SUDDEN, AND THE CHINESE, PARTICULARLY THE LOWER LEVELS OF THE BUREAUCRACY HAVE NOT BECOME FULLY USED TO IT. IN CONTRAST WITH INFREQUENT, HIGH-LEVEL VISITS, A PERMANENT PRESENCE INEVITABLY PRODUCES IRRITANTS AND FRICTIONS INHERENT IN RELATIONS BETWEEN TWO PEOPLES WITH ENTIRELY DIFFERENT SOCIAL SYSTEMS.

THE PROBLEM OF THE PRESENCE OF U.S. MARINE SECURITY GUARDS HAS GRADUALLY SUBSIDED, THOUGH IT PROBABLY CONTINUES TO RANKLE THE CHINESE. THE PROBLEM OF ADEQUATE HOUSING AND OFFICE SPACE FOR OUR PRESENT LEVEL OF OPERATIONS IS GRADUALLY BEING SOLVED AND HAS NOT SERIOUSLY HAMPERED USLO OPERATIONS. THE PRC HAS INDICATED IT DOES NOT LOOK FAVORABLY ON THE PRACTICE OF SENDING TDY PERSONNEL TO FILL IN FOR PERSONNEL ON HOME LEAVE, AND REQUESTS FOR CONSULTATION VISITS BY HONG KONG PERSONNEL HAVE GONE UNANSWERED FOR THE PAST FOUR MONTHS. WITH THE GROWING IDEOLOGICAL CAMPAIGN IN CHINA, INTERNAL TRAVEL FOR USLO OFFICERS HAS BECOME INCREASINGLY DIFFICULT.

AN IMPORTANT FACTOR IN OUR RELATIONSHIP IS THE QUESTION OF STYLE. CHINESE SECRETIVENESS OFTEN LEADS TO FRUSTRATION AND UNCERTAINTY AS TO WHERE WE STAND. WE, ON THE OTHER HAND, OCCASIONALLY OVERLOOK CHINESE SENSITIVITIES ON CERTAIN ISSUES. WHILE IT IS IMPORTANT THAT WE AVOID SLIPPING INTO A SERIES OF ACTIONS AND COUNTERACTIONS DAMAGING TO THE GOOD ATMOSPHERE NECESSARY FOR THE ACCOMPLISHMENT OF OUR BASIC POLICY AIMS, WE MUST SEEK ADEQUATE MEANS TO INSURE THAT THE PRINCIPLE OF RECIPROCITY IN OUR OPERATIONS IS MAINTAINED AT THE OPERATIONAL LEVEL. THIS DOES NOT MEAN THAT WE SHOULD ENGAGE IN A TIT-FOR-TAT STRUGGLE ON EVERY ISSUE.

36. RECOMMENDED COURSES OF ACTION

-- SEEK TO INCREASE OFFICIAL AND SOCIAL CONTACT WITH PRC
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OFFICIALS IN PEKING AND WASHINGTON TO DISCUSS FRANKLY OPERATIONAL QUESTIONS INVOLVING THE TWO MISSIONS.

-- CONTINUE INFORMAL DISCUSSIONS WITH THE FOREIGN MINISTRY ON FUTURE OFFICE AND HOUSING REQUIREMENTS KEYED TO A GRADUAL EXPANSION OF USLO.

-- UTILIZE OCCASIONAL OPPORTUNITIES AT HIGH LEVELS TO MAKE CLEAR OUR HOPE THAT WE CAN MAINTAIN THE POSITIVE TONE OF OUR RELATIONSHIP AND NOT SLIDE INTO BUREAUCRATIC NITPICKING.

-- CONTINUE TO IMPRESS ON CHINESE THE IMPORTANCE OF TDY AND CONSULTATION VISITS TO PEKING BY SUPPORT PERSONNEL, POLICY LEVEL OFFICIALS AND OTHERS INCLUDING HONG KONG CONGEN PERSONNEL. IF PROBLEM PERSISTS, RAISE THE MATTER AT A SENIOR LEVEL IN WASHINGTON.

-- PRESS FOR INCREASED TRAVEL WITHIN CHINA FOR USLO OFFICERS. WE SHOULD CONSIDER APPROPRIATE RECIPROCAL ACTIONS WITH PRCLO OFFICERS IN WASHINGTON IF THE CHINESE ARE NOT MORE FORTHCOMING IN PEKING.

-- AT APPROPRIATE TIME BEGIN DISCUSSIONS WITH MFA ON CHINESE ACCESS TO USLO FOR CONSULAR PURPOSES.
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